

Individual Work Report

How to Improve the Impulse Business Model of Olá



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1. Brief context

1.1 Client

Unilever Jerónimo Martins (UJM) is a conglomerate of the global fast-moving consumer goods company Unilever and the Portuguese corporate group Jerónimo Martins. One of the main brands within the UJM food brand portfolio is Olá ice cream, which is composed of two main lines of business: in-home and out-of home (impulse) ice cream. Following a consumer-centric approach, Olá offers new innovative products every year, reinforced by strong communication, in order to generate consumer excitement and demand.

1.2 Market overview

Portuguese consumers are becoming increasingly health conscious. This boosts the demand for water based ice creams, which are considered to be the healthier option. In parallel, the popularity of refreshing fruit flavours increases, as these are regarded healthy due to its water base. The impulse ice cream business in Portugal is highly concentrated: UJM accounts for approximately 77% of ice cream retail value sales. Its strong market share can be related to their wide distribution coverage, their strong brands as well as their consumer loyalty. Nestlé, one of the main competitors for UJM, has lost a substantial amount of market share, due to Nestlé neglecting the key success factor within the impulse ice cream market: introducing innovative flavours. (see Appendix 1)

1.3 Current client situation

Given the high market share of Olá their marketing strategy follows two main issues:

Assortment - While some Olá customers, such as restaurants, have higher merchandising potential, smaller customers (e.g. kiosks) do not have the same opportunities. Due to this reason, Olá has recently implemented a customer segmentation model that differentiates customers by sales figures - offering either a limited or a complete price board to them. Deciding which stock keeping units (SKUs) should be placed on which price board is a challenge for Olá, as their target consumers range from kids to adults.

Visibility - As an impulse ice cream purchase is 75% of time un-planned, brand visibility plays a key role for Olá in order to stay desirable for consumers. Being already the market leader Olá faces the trade-off between being either available for their consumer at the moment of purchase through expensive merchandising, or limiting their spendings and risking to lose market share.

1.4 The Business Project challenge

The first major challenge of the project was to develop an optimal assortment for Olá via an improved customer segmentation, and an adaption of the price board strategy. In order to formulate such recommendations, it was necessary to conduct several qualitative and quantitative analyses. The second main project challenge was to come up with a measurement tool for visibility materials. This tool should be able to calculate the return on investment (ROI) of each merchandising material, as well as to identify which investments should be made at which Point of Sale (POS). Coming up with a tool from scratch created a major challenge. As Unilever was holding back sales data for confidentiality reasons, many approximations of data had to be made in order to assign precise values to the tool. Nevertheless, as Unilever has not yet started designing such a tool, the proposed “Visibility Diamond” represents a tailor-made instrument for Unilever to initiate an improved visibility model for the future.

1.5 Summary of conclusions

Throughout the project we were able to draw two major conclusions: Firstly, a huge available assortment gap exists within each customer segment. In particular, this means that one customer with 16 SKUs would receive the same price board as one with 30 SKUs in stock, as, according to their sales, they are considered to be one segment. Hence, the lack of further differentiation between customers’ available assortment might influence the satisfaction of the final consumer. Therefore a new segmentation model was designed, which differentiates customers not only between sale figures but also between available assortment. Correspondingly, a new price board strategy for this extended customer segmentation model was introduced, in which price board add-ons are tailored to each customer’s characteristics (e.g. kids ice cream if located close to a school). These add-ons will help to better differentiate between customers, and hence better serve the final consumer. The second conclusion was that the current visibility concept is characterized by substantial weaknesses, namely in the measurement of merchandising materials. Hence, there was a tool missing which assists the sales representative to analyse which materials actually fit each customer. Therefore the “Visibility Diamond”, a tool to better allocate visibility investments for sales reps, has been introduced. This tool will be able to identify which investments create an opportunity, and which just a dispensable expenditure.

2. Reflection on the work done

2.1 What was the original approach?

The original approach of the business project between NOVA School of Economics and Unilever Jerónimo Martins has been guided by the question “What is the perfect assortment for Olá in impulse singles? In particular, an analysis of Olá’s product portfolio was conducted in order to analyse gaps within the current assortment. Furthermore quantitative as well as qualitative research has been carried out to understand whether the current assortment of Olá is efficient in serving the final consumer. Efficient assortment in this context has been defined as an offering that ensures that the final consumer gets what he/she wants and is provided with enough variety in terms of product choices without unnecessary duplication.

2.2 How did it evolve over time? Why?

The above mentioned techniques helped to get meaningful insights on whether Olá’s current assortment was efficiently serving the final consumer. Survey findings established that 40% of consumers are looking for a refreshment (e.g. mango flavour). However, an analysis of Olá’s current product portfolio revealed that only 28% of the current SKUs fulfil this need. Furthermore the online survey exposed that 65% of consumers are enjoying the scooping ice cream format, which Olá has not yet implemented in its portfolio at all. In addition to that, the consumer trend analysis revealed that consumers are becoming increasingly health conscious. This shifts demand away from milk-based to water-based ice creams, as the latter is regarded as being healthier. These results lead to the conclusion that Olá is currently not efficiently complying with current consumer needs. Hence, the question arose whether the project scope concerning assortment should be widened by not only suggesting an updated customer segmentation model and a new price board strategy in accordance to it. Furthermore an updated product portfolio should be proposed by introducing a new ice cream, which takes the above mentioned needs into consideration. In order to find such a product, an analysis of the international Unilever portfolio for ice creams was performed. The Australian Unilever ice cream portfolio included the “Calippo All Fruit” (see Appendix 2) which can be categorized as a scooping product that also satisfies the refreshment need due to its water base. Furthermore, the low calories go in line with the increased health consciousness of Portuguese consumers. Accordingly, this ice cream seemed to perfectly fit the existing gaps within Unilever’s product offering, and was therefore part of the proposed assortment strategy within this project.

2.3 What are the main limitations of the approach? What could have been done Differently?

While the approach of customer segmentation was highly relevant for the optimization of Olá's assortment, the limitations of the work scope forced the group to neglect analysing Olá's current innovation strategy. However, as pointed out in part one of this report, innovations are a key success factor in order to maintain the company's market position within the single impulse business. Throughout the project, the author noticed that Olá's current innovation strategy was characterized by major weaknesses, particularly by introducing new products which were not in line with current consumer trends. Therefore the following part will provide a deeper analysis of Olá's current innovation strategy. In particular, a strategic approach towards an efficient innovation will be proposed including specific guidelines for implementation.

2.3.1 Olá's current innovation strategy

Product innovation is defined as “the development of new products, changes in design of established products, or use of new materials or components in the manufacture of established product.”¹ Within the ice cream industry, product innovations are mainly introductions of new flavours and formats. Innovative products have been an important source of growth for Olá accounting at present for 14% of total sales per year. Being the market leader within the singles impulse business, introducing new products is essential for Olá to safeguard its market position. The most relevant innovative product, launched within the Portuguese market in 2013, has been the “Magnum 5 kisses”, which introduced five completely new flavours: crème brûlée, meringue with red fruits, tiramisu, gâteau au chocolat and apple tart. Even though being supported by strong marketing and advertising efforts, Ana Moreira, the head of Marketing at Unilever, admitted that this innovation has not been as successful as it was expected. Two main weaknesses of last year's innovations have been identified. Firstly, the products have not been adopted properly by Portuguese consumers, which raises the question whether the products were appropriately aligned with consumers needs. Secondly, Olá was in fact not following a specific innovation strategy, but rather chose innovations from the international portfolio more or less “randomly“. The following part will offer a deeper insight into consumer trends and research findings, and develop proposals for a modified innovation strategy.

¹ Goffin, K., Mitchell, R. (2010), “Innovation Management. Strategy and Implementation using the Pentathlon Framework.”

2.3.2 Consumer insights and the analysis of Olá's innovation portfolio

Looking more into the details of the online survey findings, it is interesting to point out that more than half of the consumers (55%) mentioned that they usually do not try Olá's innovations. Furthermore, 30% stated that they do not even notice innovations. Hence, one can conclude that Olá's current innovation strategy is lacking the necessary impact and incentives to change consumer habits in favour of innovative products, both with regard to product features as well as a corresponding advertisement campaigns. As mentioned above, consumers are increasingly health conscious, which shifts demand to water based ice cream, and are looking particularly for refreshing flavours. Comparing this trend with the flavours of the "Magnum 5 kisses" (e.g. tiramisu) one may conclude that Olá's recent innovations do not match with current market trends. In fact, "Magnum 5 kisses" is rather focused on satisfying the indulgent need with milk-based, chocolate flavoured ice cream. This stands in complete contrast to consumer trends and the survey findings of this project. Hence, the "Calippo All Fruit", a scooping product which satisfies both the refreshment need due to its water base, and the increased health consciousness due to its low calorie content, creates the perfect opportunity to fulfil the above mentioned needs. Within the following part this product is meant to portray an example for the definition and implementation of the proposed innovation strategy. The following suggestions can be used by Unilever as guidelines in order to overcome their two mentioned weaknesses when introducing innovations: a strategic innovation strategy and an increased market acceptance of innovations.

2.3.3 All Fruit Gelato – Implementing an innovation strategy

Given the past weaknesses the author proposes a strategically oriented innovation process, which will not only help Olá to choose innovative products more efficiently and avoid unsuccessful innovations. It furthermore develops appropriate guidelines to assess the adaptability of product innovation.

In order to develop an innovation strategy, Olá firstly has to identify in which part of the product portfolio innovation is most needed. For this an analysis of consumer trends and needs should be conducted. As stressed above in this report, the analysis suggests to introduce new products within the refreshing, scooping and fruit flavour categories. Secondly, the dimension of innovation, i.e. product, service, process, business process and business model innovation, needs to be determined. The "Calippo All Fruit" is clearly a product innovation. Thirdly, Olá has to determine the degree of change required by the product innovation such as:

- 1. Improvement of the existing product*
- 2. New product that provides similar performance at lower cost*
- 3. Existing product that is targeted to new markets*
- 4. Addition of a product to an existing product line*
- 5. Creation of new product lines*
- 6. New-to-the-world product*

In the case of “Calippo All Fruit” Olá would add a product to an existing product line, as this ice cream belongs to the Calippo category. Combining the degrees of innovation and the dimension of innovation, Olá can create a matrix (see Appendix 3) and tick the appropriate boxes for an innovation project or a portfolio of innovation projects. The matrix is useful as it forces organizations to think how they can innovate across several dimensions and become more competitive. Furthermore, it shows overall balance in a portfolio. This can generate ideas for Olá on how to make less innovative products more competitive, as well as how to fit their innovations better with consumer needs and trends. The fourth pillar of developing an innovations strategy is to analyse the diffusion of innovation. Ana Moreira mentioned that the market response to “Magnum 5 Kisses” was unexpectedly low. The diffusion analysis will help Olá to better understand market potential of innovations. Furthermore, the diffusion gives an indication on how product innovations can be planned so that they are accepted more quickly. This analysis consists of four main pillars.

1. Firstly, the influences of product features have to be analysed. The **characteristics of innovation** themselves have a powerful effect on how quickly and readily they are accepted. Olá should therefore identify the relative advantage of the product: Is “Calippo All Fruit” better than its competitor? In this case, Olá has no direct competitive product, as none of the competitors is currently offering a similar ice cream. This gives the product a competitive advantage. Secondly, Olá should verify the **compatibility** of the innovation: As scooping is becoming increasingly popular, consumers will readily accept the product, as it fits to existing habits, and the consumption of this product does not require a big change of behaviour for the consumer. Concerning the **complexity** of consumption, “Calippo All Fruit” can be categorized within the Calippo format, and hence consumers are familiar with the format and would perceive it as simple to consume. This again outlines a competitive advantage of the

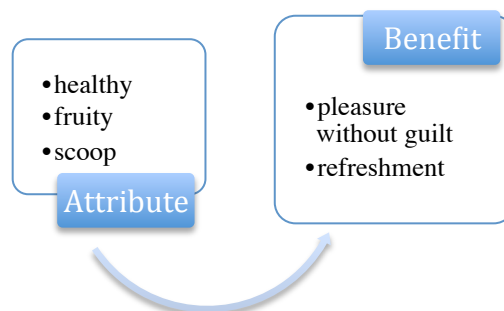
product, as simplifying consumption for consumers spurs adoption. Finally, the **benefit** of innovation has to be **observable** to the consumers and others in order to increase adoptability. To ensure the observability of the product's benefits to the consumer, a strong communication strategy is to utmost importance, which will be further developed in point 3.

2. The **characteristics of the final consumer** also play a big role when assessing the potential of high market response. Is there a sufficiently large consumer group paying particular attention to health related product characteristics or preferring fruity flavours? Consumer trends do indeed prove that the health conscious/fruit flavor/ scooping trend is growing and becoming increasingly relevant in the Portuguese ice cream market.

3. The **communication channels** Olá chooses in order to increase awareness and sales of innovative products represent a critical factor within its innovation strategy, and should be prioritized. Aspiring to introduce a healthier ice cream to Olá's product portfolio, the goal is to communicate its benefits intensively. The **ABE (Attribute, Benefit, Emotion) Model** is an approach that addresses the decision of which aspect of benefits should be focused on within a communication strategy. When products in a product category of all competitors are identical in terms of benefits, companies should trigger the products benefits through differentiating on emotional associations (E). However, as no other product yet exists which has identical benefits as "Calippo All Fruit", the communication efforts by Olá would clearly focus on the attributes of the product, which lead to the main benefits. In this case, benefits can be caused through physical attributes of the product, e.g. the "healthy" attribute leads to the main benefit of "pleasure without guilt." Olá can decide which attributes should be emphasized when communicating the product's benefits.

The ABE Model

Focus on attributes that lead to main benefits, the A → B approach



The overall communication objective of the campaign will be to introduce a product that will make Olá to be perceived as a provider of a healthy, fruity ice cream. In order to change the perception of the brand positioning, an **association of the brand and the specific category needs** (e.g. health) has to be created. This association has to be formed, prior to the point of

purchase, via several channels such as Billboard campaigns, TV advertising and social media campaigns. These channels will create an opportunity to make use of the “paired associations”, and to engage consumers with the product. In order to ensure that the brand is used interchangeably with the category needs, the association between the brand and the category need should be repeated via e.g. TV campaigns.

Furthermore, taking into consideration the already existing strong brand and the fact that impulse business is 75% of the time non-planned, a strategy targeting consumers' **brand recall awareness** should be composed. Hence, after ensuring that the brand Olá is associated with the specific category need, through e.g. billboards, the communication focus lays on recalling brand awareness via visibility materials at POSs, in order to reach the consumer in the moment of purchase. This communication objective can be achieved by attractive displays at the POS that relate directly to the product. These materials should especially highlight the introduction of the main benefits of the product (healthy, fruity, scooping features).

4. The **change agents**, mainly Olá's sales persons, have the power to incentivize POS owners to make a better use of the provided visibility materials of the product. As the POSs are the main distribution channel within the singles impulse, and the most relevant communication channel within the introduction of “Calippo All Fruit”, change agents are extremely relevant for an efficient innovation strategy for Olá.

As the Economist stated “innovation management is no longer an art but is becoming a practical science.”² Thus, to be successful in a constantly evolving business world, companies need to quickly develop a range of techniques and strategies in order to be able to manage innovation effectively. Furthermore, it is a fact that products' success in one market may not be transferred easily into another. It is therefore not advisable to simply apply “best practices” from the international product portfolio. On the contrary Olá should adapt products to the specific situation of the Portuguese market. Hence, the suggested guidelines for implementing a strategic oriented innovation program will help Olá to choose innovations from the international portfolio more effectively, in accordance to the specific needs of the Portuguese consumer. In addition to that, the proposed guidelines will offer Olá a way to assess potential market acceptance more strategically.

² The Economist, (2007), “A dark art no more”

3. Reflection on learning

3.1 Previous knowledge – Master content applied

Holding an undergraduate degree with a major in marketing, and gaining elaborate practical experience through internships in several marketing departments, my focus can be clearly defined within marketing. Hence, I was able to bring an experienced marketing perspective to the project, which helped me to easily identify the company's current marketing strategy and extract its weaknesses. In addition, the course "International Marketing Strategies" at Nova SBE enabled me to understand the marketing objectives of an international corporation such as Unilever.

3.2 New knowledge

Even though having worked in project-management before, I never had to define a clear project work plan. The project plan we composed had to include person related tasks, its deadlines and objectives. I was very sceptical about defining deadlines for tasks, which were two months ahead, especially when having no clear idea where the project scope was leading us to. However, throughout the project I realized the value adding potential of such a project plan, as by continuous adjustments all group members were aligned and aware of the current status.

3.2.1 New Frameworks

Having the opportunity to work with the marketing department of one of the biggest fast-moving-consumer-goods company, Unilever, has been a very enriching experience for me. The model by Blattberg "Category Role Matrix" (see Appendix 4) has been of utmost interest for me, as it is a tool to define strategic tactics for each product category within a product portfolio. For Olá this model presented a strategic tool to identify by season, which product is e.g. a "traffic generator" (high sales, low gross margin) or a "cash machine" (medium sales, high gross margin). This tool mainly serves to fine-tune assortment strategies for Olá, and therefore has been a relevant model within the project. Having always been interested in marketing, the insights on how Unilever manages and executes its marketing objectives, helped me to understand what kind of responsibilities a marketing manager in such a company has to assume.

3.3 Personal experience

3.3.1 Key Strengths

Having had the opportunity to live in four countries for more than six months offered me the opportunity to develop my intercultural skills and my knowledge of and tolerance for different cultures and working habits. In addition, I would say that my main contribution has been to organize our team-work by continuously making sure that the discussions are productive, that all group members were equally result-oriented, and that the agreed upon work results are delivered in a timely manner.

3.3.2 Key Weaknesses

Taking over the above mentioned team-mentor role, I have to avoid being impatient when results are not delivered in time or in the most efficient way. Throughout this project I understood that such impatience may have a negative impact on the team dynamics, and the motivation of the team members.

3.3.3 How to work on weaknesses

Having already realized that my impatience can lead to inefficiency among the group members, I have been starting to overcome my weakness through two major steps. Firstly, I started to openly communicate and listen to my group members, to understand why efficiency is not as I expected it, and how we jointly could work to improve it. Secondly, I started acknowledging the fact that within project work not everything runs smoothly, and that non-planned events may actually create opportunities as well. Overall, I can conclude that my major learning effect throughout this project has been that open communication with all team members, as well as counterparts, is a key success factor for a work project.

3.4 What added most value? What should be focused on in the future?

The most value adding components of the success of this project has been the relationships among our group and the academic advisor. The group has always been prioritizing open, honest and constructive communication, which was the major reason why our results have been as creative and efficient. In addition, our academic advisor always managed to motivate us through his constant professional feedback and guidance. What has been highly motivating our group was the perspective to develop a relevant contribution for Unilever, as they took our work very seriously. In fact CEMS should make sure that a similar positive work

environment should be ascertained in its cooperation with other companies, that may lack the commitment the staff of Unilever did provide.

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5. Appendix

5.1 Appendix 1: Company shares of impulse ice cream % retail value

Company Shares of Impulse Ice Cream: % retail value rsp	2009	2010	2011	2012	2013
Unilever Jerónimo Martins	72,21	73,91	75,12	75,54	77,16
Mars Portugal, Inc	8,09	7,65	7,46	7,16	6,95
Nestlé Portugal SA	5,03	2,95	2,54	2,27	1,19
Others	14,67	15,5	14,88	15,02	14,7
Total	100	100	100	100	100

Source: Euromonitor, 2014

5.2 Appendix 2: Innovation suggestion: “Calippo All Fruit“



Source: International Product Portfolio, Unilever Australian “Streets”

<http://www.productreview.com.au/p/streets-calippo-all-fruit-gelato-mango-berry.html>

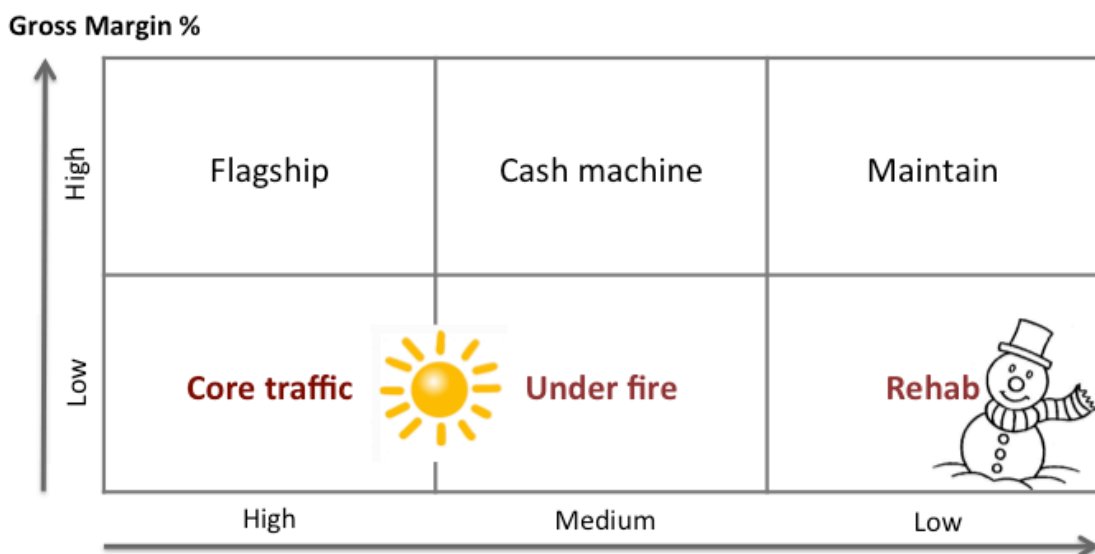
5.3 Appendix 3: “Calippo All Fruit” Analysis of Dimension and Degrees

	Degrees of Innovation	Dimensions of Innovation				
		Product	Service	Process	Business Process	Business Model
1.	No Innovation					
2.	Improvements					
3.	Similar performance at lower cost					
4.	Targeting new markets					
5.	Addition to an existing product line	✓				
6.	Creation of new product line(s)					
7.	New-to-the-world					

Source: Goffin, K., Mitchell, R. (2010), “Innovation Management. Strategy and Implementation using the Pentathlon Framework.” Second edition. New York: Palgrave Macmillan.

5.4 Appendix 4: “Category Role Matrix”

Category Role Matrix



Source: Model by Blattberg: Consumer-Centric Category Management (2006), “How to Increase Profits by Managing Categories Based on Consumer Needs.” ACNielsen.